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SUBJECT: BOTSWANA ECONOMIC BRIEFS MAY 2009

¶1. This is the fifth edition of U.S. Embassy Gaborone's Botswana Economic Briefs, covering economic and commercial news from May 2009. Topics of this edition are:

- China - Botswana's Potential Diamond Market
- World Bank Praises BEDIA
- Botswana Edges Closer to Recession
- A Boost for Morupule Power Station Project

China - Botswana's Potential Diamond Market?

¶2. China could become a major diamond market for Botswana, according to the Chinese Minister of Commerce. A delegation of Chinese experts visited Botswana in late May to assess how best they could help in boosting Botswana's economy to cushion it against the current economic slump. The delegation leader, Chinese Minister of Commerce Mr. Zhing Shan, said that China considers Botswana to be a valuable economic partner. During Shan's visit to Botswana, the two governments signed an agreement on economic and technical cooperation to facilitate a grant of over 10 million pula (approximately USD 1.67 million) which will be used to implement projects agreed upon by the two governments. Mr. Shan explained that Botswana was China's strongest economic partner in Southern Africa and therefore his government would like to promote cooperation on investment, manufacturing, minerals, education and medical care. He further said despite the current recession, China was ready to provide soft loans to Botswana in order to continue to improve the livelihoods of Botswana's citizens and encourage economic growth. The visiting Chinese team also included agricultural technicians who came in to assess how they could assist the government of Botswana in developing agriculture in order to reduce the country's dependence on food imports. (Daily News, 28th May, 2009)

World Bank Praises BEDIA

¶3. According to the recently released Global Investment Promotion Benchmarking (GIPB) 2009 Report, World Bank researchers have ranked Botswana as Africa's leader in terms of investment promotion activities. The GIPB report is solely focused on the Investment Promotion Intermediaries (IPIs) of each country. The Botswana Export Development and Investment Authority (BEDIA) is Botswana's IPI and was among those evaluated for the GIPB 2009. The report hailed Botswana as a 'star performer' noting that the country had improved its overall score in the GIPB's criteria to an excellent 70 percent. In 2009, Botswana was ranked 23rd in the world in terms of global national IPIs, making it the highest ranking country in Africa and placing it among the 25 elite in the world. The elite list is headed by Austria, Sweden, Germany, Canada and the United Kingdom. The report noted that only Botswana and Mauritius excelled in the GIPB's assessment criteria within the continent. The report

praised BEDIA for improving its website substantially and making it more business-focused and user friendly, as well as for making the understanding of the investment process easy. (Mmegi Business Week, May 15th 2009)

Botswana Edges Closer to Recession

14. In the face of massive effects of the current global economic crisis on Botswana's diamond sales, the country is not yet in a recession, but it is edging closer. Speaking at the release of the Bank of Botswana's 2008 Annual Report, the Bank's Head of Research, Andrew Motsomi, said that according to the latest figures from the Central Statistics Office (CSO), Botswana's GDP growth was at 2.9 percent in the last quarter of 2008, meaning that the country was still enjoying positive economic growth. However, Motsomi said, it is highly likely that the country's GDP will soon begin to contract, as the global crisis continues to squeeze Botswana's revenue streams. Due to the crash in diamond demand and resulting revenue losses, Botswana is now importing more than it is exporting, leading to a trade deficit which has seen the country's foreign exchange reserves drop from 30 months of import cover a year ago to about 20 months worth of imports today. The latest statistics from Botswana's Central Statistical Office show that trade deficits have been recorded consistently from October 2008 to April 2009, while diamonds revenues plummeted heavily particularly in the last quarter of 2008. Deputy Head of Research, Kealeboga Masalila said that despite food prices not falling as much as fuel prices have, the bank is confident that Botswana can achieve an annual inflation rate of close to six percent by year's end. Comment: The Bank of Botswana's inflation objective target rate stands at 3 - 6 percent. End

GABORONE 00000480 002 OF 002

Comment. (Mmegi Business Week, May 15th May, 2009)

A Boost for Morupule Power Station Project

15. The Morupule B Power Station is a USD 1.6 billion project, a Botswana government initiative driven by the Botswana Power Corporation (BPC). The planned power station expansion got a major boost recently with the announcement that Standard Bank and the Industrial and Commercial Bank of China (ICBC) have been mandated as joint lead arrangers to finance the project. The China National Electric Equipment Corporation (CNEEC), which is one of ICBC's top corporate clients, has been awarded a USD 970 million contract to supply and build a significant portion of the power station. The Morupule Power B station is one of the many initiatives BPC is undertaking to restore a healthy power demand/supply balance in Botswana. According to statistics from the Ministry of Minerals, Energy and Water Resources, Botswana's energy needs will rise to 610 megawatts (MW) in 2009 from 530 MW in 2008 and above a planned capacity of 510 MW in 2009. Sino Sure, the official Export Credit Agency of China, in collaboration with the World Bank, will provide a credit guarantee to ICBC's facility to Botswana Power Corporation. The President of Sino Sure, Wang Yi, said the Morupule Power station project is destined to be a milestone in the history of bilateral economic cooperation between China and Botswana. The Morupule Project, which involves the installation of four generating units of 150 MW capacity each, is aimed at boosting Botswana's power generation capacity as South Africa's Eskom continues to reduce the power it will supply to Botswana. (Mmegi May 15th 2009)

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